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FISCAL POLICIES MANUAL

CONVENIENCE FEES POLICY

PREFACE

In an effort to improve customer service and maximize efficiency in state government, a third party may be used to provide information, goods, and services to the public. The third party providers will charge a convenience fee for providing information or service and collecting the associated fees. This policy provides guidance on accounting for State revenue and third party convenience fees.

DEFINITIONS

Convenience Fee – A fee charged by the third party provider who acts as an intermediary between the public and an agency in the sale of information, goods, or services.

Third Party Provider – The third-party provider that has a contractual agreement with the agency to provide information or services on behalf of the agency and to collect the associated fees.

POLICY

Idaho Code or Administrative Rule will usually dictate the fee charged to the public for information or services. The agency needs to determine whether statute or rule allows the use of a third party provider and allows charging the public a convenience fee. A review of *Idaho Code* and Administrative Rule should determine whether legislative approval for the use of a third party provider and charging the public a convenience fee should be obtained.

The agency should negotiate with the third party to determine the convenience fee to be charged. The Contractual agreement between the agency and the third party provider should include the dollar amount of the convenience fee charged, requirements for remitting State revenue to the agency or State Treasurer, and reporting the dollar amount of convenience fees collected.

Accounting for the convenience fee and the fees collected for the information or service (agency revenue) should be kept separate. The convenience fee should be acknowledged as an additional fee charged and made visible to anyone paying the fee. Revenue for the information or service provided by a third party should be transmitted to the agency or deposited with State Treasurer, net of the convenience fee. If an agency receives less than the fee amount established by *Idaho Code* or Rule, an expense should be recognized. The agency should be prepared to address questions as to the dollar amount of convenience fees collected by a third party provider.

FISCAL IMPACT

Using a third party to provide information or services may:

- Lessen the impact on agency resources by reducing the number of customers and transactions processed directly by the agency.
- Increase the amount of revenue collected.

ADMINISTRATIVE PROCEDURES

Idaho Code or Administrative Rule will dictate the fee charged and the amount transmitted as State revenue. However, if an agency has a contractual agreement with the third party provider to receive less than the established fee an expense should be recognized.

For example, if a third party provider collects \$30, *Idaho Code* establishes \$30 as the fee for the service provided. If the agency agrees to pay the third party provider \$5 to provide the service, then the accounting entry to record the fees transmitted to the agency would be:

Dr - Cash \$25

Dr - Expense \$5

Cr - Sales/Revenue \$30